

CITY OF NESS CITY, KANSAS

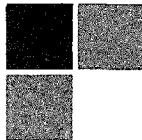
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

CITY OF NESS CITY, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2011

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Ness City, Kansas
Ness City, Kansas

We have audited the accompanying financial statements of **City of Ness City, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Ness City, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Ness City, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Ness City, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Ness City, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

September 10, 2012

CITY OF NESS CITY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|-------------------------------------|---|---|------------------|------------------|--|---|------------------------|
| Governmental Fund Categories | | | | | | | |
| General Fund | | | | | | | |
| General Fund | \$ 259,432 | - | 678,566 | 620,360 | 317,638 | 23,052 | 340,690 |
| Special Revenue Funds | | | | | | | |
| Special Highway Fund | 10,002 | - | 34,688 | 36,260 | 8,430 | - | 8,430 |
| Special Parks and Recreation Fund | 4,726 | - | 3,100 | - | 7,826 | - | 7,826 |
| Industrial Development Fund | 23,602 | - | 3,863 | 4,970 | 22,495 | - | 22,495 |
| Library Fund | 473 | - | 60,589 | 58,707 | 2,355 | - | 2,355 |
| Library Employee Benefit Fund | 180 | - | 30,543 | 29,497 | 1,226 | - | 1,226 |
| Capital Improvements Fund | 39,492 | - | 80,000 | 82,824 | 36,668 | - | 36,668 |
| Equipment Reserve Fund | 79,527 | - | 35,500 | 37,368 | 77,659 | - | 77,659 |
| Guest Tax Fund | 16,110 | - | 13,111 | 7,500 | 21,721 | - | 21,721 |
| Capital Project Funds | | | | | | | |
| Airport Improvements Fund | 175,928 | - | 33,333 | 73,437 | 135,824 | 649 | 136,473 |
| Chestnut Bridge Project Fund | 4,390 | - | 9,738 | 14,128 | - | - | - |
| Proprietary Fund Category | | | | | | | |
| Enterprise Funds | | | | | | | |
| Water Utility Fund | 838,312 | - | 445,880 | 390,822 | 893,370 | 8,875 | 902,245 |
| Sewer Utility Fund | 248,731 | - | 146,080 | 102,806 | 292,005 | 2,064 | 294,069 |
| Solid Waste Disposal Fund | 58,773 | - | 94,524 | 90,034 | 63,263 | - | 63,263 |
| Total Primary Government | 1,759,678 | - | 1,669,515 | 1,548,713 | 1,880,480 | 34,640 | 1,915,120 |
| Component Unit | | | | | | | |
| Ness City Public Library | 64,983 | - | 108,719 | 112,184 | 61,518 | - | 61,518 |
| Total Reporting Entity | <u>\$ 1,824,661</u> | <u>-</u> | <u>1,778,234</u> | <u>1,660,897</u> | <u>1,941,998</u> | <u>34,640</u> | <u>1,976,638</u> |
| Composition of Cash | | | | | | | |
| | | | | | Checking Accounts | \$ | 1,013,670 |
| | | | | | Savings Accounts | | 778 |
| | | | | | Certificates of Deposit | | 900,672 |
| | | | | | Total Primary Government | | 1,915,120 |
| | | | | | Total Component Unit | | 61,518 |
| | | | | | Total Reporting Entity | \$ | <u>1,976,638</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

| Funds | Certified Budget | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance Over (Under) |
|-------------------------------------|---------------------|--|-----------------------------------|---|-----------------------------|
| Governmental Fund Categories | | | | | |
| General Fund | | | | | |
| General Fund | \$ 692,250 | - | 692,250 | 620,360 | (71,890) |
| Special Revenue Funds | | | | | |
| Special Highway Fund | 37,754 | - | 37,754 | 36,260 | (1,494) |
| Special Parks and Recreation Fund | 5,261 | - | 5,261 | - | (5,261) |
| Industrial Development Fund | 20,500 | - | 20,500 | 4,970 | (15,530) |
| Library Fund | 58,707 | - | 58,707 | 58,707 | - |
| Library Employee Benefit Fund | 29,497 | - | 29,497 | 29,497 | - |
| Guest Tax Fund | 22,598 | - | 22,598 | 7,500 | (15,098) |
| Proprietary Fund Category | | | | | |
| Enterprise Funds | | | | | |
| Water Utility Fund | 453,690 | - | 453,690 | 390,822 | (62,868) |
| Sewer Utility Fund | 134,000 | - | 134,000 | 102,806 | (31,194) |
| Solid Waste Disposal Fund | 92,000 | - | 92,000 | 90,034 | (1,966) |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|-----------------------------------|-------------------------|----------------|----------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 139,660 | 199,600 | 196,422 | 3,178 |
| Delinquent | 1,164 | 3,983 | - | 3,983 |
| Motor Vehicle | 48,707 | 46,074 | 44,961 | 1,113 |
| Intangible | 28,481 | 23,224 | 22,509 | 715 |
| Total Taxes | <u>218,012</u> | <u>272,881</u> | <u>263,892</u> | <u>8,989</u> |
| Intergovernmental | | | | |
| Local City Sales Tax | 210,399 | 233,480 | 172,500 | 60,980 |
| Local Alcoholic Liquor Tax | 80 | 3,100 | 334 | 2,766 |
| Connecting Links | 5,124 | 5,124 | 5,100 | 24 |
| Total Intergovernmental | <u>215,603</u> | <u>241,704</u> | <u>177,934</u> | <u>63,770</u> |
| Licenses and Permits | | | | |
| Franchise Fees | 109,612 | 110,219 | 90,000 | 20,219 |
| Licenses and Permits | 7,020 | 9,415 | 2,000 | 7,415 |
| Total Licenses and Permits | <u>116,632</u> | <u>119,634</u> | <u>92,000</u> | <u>27,634</u> |
| Fines and Forfeitures | | | | |
| Fines | 9,090 | 16,733 | 7,000 | 9,733 |
| Use of Money and Property | | | | |
| Interest | 8,944 | 6,996 | 8,000 | (1,004) |
| Miscellaneous | | | | |
| Swimming Pool | 4,037 | 4,303 | 4,000 | 303 |
| Recycling Revenue | 6,999 | 11,091 | 2,500 | 8,591 |
| Insurance Proceeds | 35,377 | - | - | - |
| Sale of Equipment | 14,788 | 4,883 | - | 4,883 |
| Other | 129 | 341 | - | 341 |
| Total Miscellaneous | <u>61,330</u> | <u>20,618</u> | <u>6,500</u> | <u>14,118</u> |
| Total Cash Receipts | <u>\$ 629,611</u> | <u>678,566</u> | <u>555,326</u> | <u>123,240</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|---|-------------------------|----------------|----------------|-----------------------------|
| | | Actual | Budget | |
| Expenditures | | | | |
| General and Administrative | | | | |
| Personal Services | \$ 55,547 | 61,649 | 52,000 | 9,649 |
| Contractual Services | 65,025 | 27,422 | 37,500 | (10,078) |
| Commodities | 9,811 | 7,322 | 15,000 | (7,678) |
| Capital Outlay | 11,983 | - | 5,000 | (5,000) |
| Christmas Light Funding | 500 | - | 500 | (500) |
| Total General and Administrative | <u>142,866</u> | <u>96,393</u> | <u>110,000</u> | <u>(13,607)</u> |
| Police Department | | | | |
| Contractual Services | <u>146,351</u> | <u>145,986</u> | <u>145,000</u> | <u>986</u> |
| Street Department | | | | |
| Personal Services | 27,854 | 30,723 | 20,000 | 10,723 |
| Contractual Services | 8,478 | 7,315 | 13,000 | (5,685) |
| Commodities | 92,774 | 63,609 | 65,000 | (1,391) |
| Capital Outlay | 2,850 | 11,442 | 47,500 | (36,058) |
| Total Street Department | <u>131,956</u> | <u>113,089</u> | <u>145,500</u> | <u>(32,411)</u> |
| Employee Benefits | | | | |
| Contractual Services | - | - | 2,000 | (2,000) |
| Health Insurance | 32,858 | 30,828 | 38,000 | (7,172) |
| Social Security | 11,100 | 12,290 | 11,000 | 1,290 |
| Workman's Compensation | 2,529 | 3,480 | 7,000 | (3,520) |
| KPERs | 7,152 | 7,975 | 6,000 | 1,975 |
| Unemployment | 207 | 281 | 250 | 31 |
| Total Employee Benefits | <u>53,846</u> | <u>54,854</u> | <u>64,250</u> | <u>(9,396)</u> |
| Fire Department | | | | |
| Contractual Services | <u>169</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Street Lighting | | | | |
| Contractual Services | <u>26,637</u> | <u>23,042</u> | <u>33,000</u> | <u>(9,958)</u> |
| Swimming Pool | | | | |
| Personal Services | 23,484 | 23,968 | 21,000 | 2,968 |
| Contractual Services | 2,508 | 3,643 | 5,000 | (1,357) |
| Commodities | 7,454 | 10,128 | 8,000 | 2,128 |
| Total Swimming Pool | <u>\$ 33,446</u> | <u>37,739</u> | <u>34,000</u> | <u>3,739</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|----------------|----------------|-----------------------------|
| | | Actual | Budget | |
| Expenditures (continued) | | | | |
| Noxious Weeds | | | | |
| Contractual Services | \$ 56 | - | 500 | (500) |
| Commodities | 59 | - | 4,000 | (4,000) |
| Total Noxious Weeds | <u>115</u> | <u>-</u> | <u>4,500</u> | <u>(4,500)</u> |
| Park Improvement | | | | |
| Personal Services | 8,796 | 9,396 | 6,000 | 3,396 |
| Contractual Services | 2,490 | 1,769 | 2,000 | (231) |
| Commodities | 3,467 | 1,436 | 7,500 | (6,064) |
| Capital Outlay | - | - | 2,000 | (2,000) |
| Total Park Improvement | <u>14,753</u> | <u>12,601</u> | <u>17,500</u> | <u>(4,899)</u> |
| Recycling | | | | |
| Personal Services | 9,476 | 14,292 | 11,000 | 3,292 |
| Contractual Services | 5,461 | 3,151 | 5,000 | (1,849) |
| Commodities | 1,313 | 713 | 3,000 | (2,287) |
| Capital Outlay | - | - | 1,000 | (1,000) |
| Total Recycling | <u>16,250</u> | <u>18,156</u> | <u>20,000</u> | <u>(1,844)</u> |
| Appropriations | | | | |
| Airport | <u>3,000</u> | <u>3,000</u> | <u>3,000</u> | <u>-</u> |
| Transfers Out | <u>135,500</u> | <u>115,500</u> | <u>115,500</u> | <u>-</u> |
| Total Expenditures | <u>704,889</u> | <u>620,360</u> | <u>692,250</u> | <u>(71,890)</u> |
| Cash Receipts Over (Under) Expenditures | (75,278) | 58,206 | | |
| Unencumbered Cash - Beginning | <u>334,710</u> | <u>259,432</u> | | |
| Unencumbered Cash - Ending | \$ <u>259,432</u> | <u>317,638</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | | Current Year | | |
|--|-------------------------|--------------|--------|-----------------------------|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| Cash Receipts | | | | |
| Intergovernmental | | | | |
| State Gasoline Tax | \$ 33,157 | 34,688 | 34,950 | (262) |
| Expenditures | | | | |
| Personal Services | 24,666 | 34,310 | 10,000 | 24,310 |
| Contractual Services | - | - | 5,000 | (5,000) |
| Commodities | 10,732 | 1,950 | 22,754 | (20,804) |
| Total Expenditures | 35,398 | 36,260 | 37,754 | (1,494) |
| Cash Receipts Over (Under) Expenditures | (2,241) | (1,572) | | |
| Unencumbered Cash - Beginning | 12,243 | 10,002 | | |
| Unencumbered Cash - Ending | \$ 10,002 | 8,430 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Special Parks and Recreation Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | | <u>Current Year</u> | | |
|--|----------------------------------|---------------------|---------------|--------------------------------------|
| | <u>Prior Year Actual</u> | <u>Actual</u> | <u>Budget</u> | <u>Variance Over (Under)</u> |
| Cash Receipts | | | | |
| Intergovernmental | | | | |
| Local Alcoholic Liquor Tax | \$ 78 | 3,100 | 334 | 2,766 |
| Expenditures | | | | |
| Culture and Recreation | - | - | 5,261 | (5,261) |
| Cash Receipts Over (Under) Expenditures | 78 | 3,100 | | |
| Unencumbered Cash - Beginning | 4,648 | 4,726 | | |
| Unencumbered Cash - Ending | \$ 4,726 | 7,826 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Industrial Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|--------------|--------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 9,868 | 555 | 554 | 1 |
| Delinquent | 130 | 92 | - | 92 |
| Motor Vehicle | 159 | 3,216 | 3,212 | 4 |
| Total Cash Receipts | 10,157 | 3,863 | 3,766 | 97 |
| Expenditures | | | | |
| Industrial Development | 4,480 | 4,970 | 20,500 | (15,530) |
| Cash Receipts Over (Under) Expenditures | 5,677 | (1,107) | | |
| Unencumbered Cash - Beginning | 17,925 | 23,602 | | |
| Unencumbered Cash - Ending | \$ 23,602 | 22,495 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Library Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|---------------------|---------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 45,362 | 44,819 | 44,104 | 715 |
| Delinquent | 280 | 925 | - | 925 |
| Motor Vehicle | 10,656 | 14,845 | 14,603 | 242 |
| Total Cash Receipts | 56,298 | 60,589 | <u>58,707</u> | <u>1,882</u> |
| Expenditures | | | | |
| Appropriations | 56,682 | 58,707 | <u>58,707</u> | <u>-</u> |
| Cash Receipts Over (Under) Expenditures | (384) | 1,882 | | |
| Unencumbered Cash - Beginning | 857 | 473 | | |
| Unencumbered Cash - Ending | <u>\$ 473</u> | <u>2,355</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Library Employee Benefit Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|---------------|---------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes | | | | |
| Ad Valorem | \$ 22,228 | 22,704 | 22,341 | 363 |
| Delinquent | 168 | 523 | - | 523 |
| Motor Vehicle | 7,047 | 7,316 | 7,156 | 160 |
| Total Cash Receipts | <u>29,443</u> | <u>30,543</u> | <u>29,497</u> | <u>1,046</u> |
| Expenditures | | | | |
| Social Security | 3,563 | 3,642 | 3,642 | - |
| Unemployment Taxes | 282 | 150 | 150 | - |
| Health and Workman's Comp Insurance | 23,004 | 23,004 | 23,004 | - |
| KPERs | 2,809 | 2,701 | 2,701 | - |
| Total Expenditures | <u>29,658</u> | <u>29,497</u> | <u>29,497</u> | <u>-</u> |
| Cash Receipts Over (Under) Expenditures | (215) | 1,046 | | |
| Unencumbered Cash - Beginning | <u>395</u> | <u>180</u> | | |
| Unencumbered Cash - Ending | <u>\$ 180</u> | <u>1,226</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Capital Improvements Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Transfers In | \$ 80,000 | 80,000 |
| Expenditures | | |
| Commodities | 20,666 | 68,137 |
| Capital Outlay | 490 | 10,556 |
| Transfers Out | 46,700 | 4,131 |
| Total Expenditures | 67,856 | 82,824 |
| Cash Receipts Over (Under) Expenditures | 12,144 | (2,824) |
| Unencumbered Cash - Beginning | 27,348 | 39,492 |
| Unencumbered Cash - Ending | \$ 39,492 | 36,668 |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Transfers In | \$ 35,500 | 35,500 |
| Expenditures | | |
| Capital Outlay | 39,519 | 37,368 |
| Cash Receipts Over (Under) Expenditures | (4,019) | (1,868) |
| Unencumbered Cash - Beginning | 83,546 | 79,527 |
| Unencumbered Cash - Ending | \$ 79,527 | 77,659 |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Guest Tax Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|--------------|--------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes | | | | |
| Guest Tax | \$ 13,512 | 13,111 | 10,000 | 3,111 |
| Expenditures | | | | |
| Convention and Tourism | - | 7,500 | 22,598 | (15,098) |
| Cash Receipts Over (Under) Expenditures | 13,512 | 5,611 | | |
| Unencumbered Cash - Beginning | 2,598 | 16,110 | | |
| Unencumbered Cash - Ending | \$ 16,110 | 21,721 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Airport Improvements Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Appropriations | \$ - | 33,333 |
| Use of Money and Property | | |
| Interest | 3,050 | - |
| Transfers In | 20,000 | - |
| Total Cash Receipts | <u>23,050</u> | <u>33,333</u> |
| Expenditures | | |
| Contractual Services | 39,269 | 42,545 |
| Capital Outlay | 14,809 | 30,892 |
| Total Expenditures | <u>54,078</u> | <u>73,437</u> |
| Cash Receipts Over (Under) Expenditures | (31,028) | (40,104) |
| Unencumbered Cash - Beginning | <u>206,956</u> | <u>175,928</u> |
| Unencumbered Cash - Ending | <u>\$ 175,928</u> | <u>135,824</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Chestnut Bridge Project Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Aid | \$ 110,820 | 5,607 |
| Transfers In | 46,700 | 4,131 |
| Total Cash Receipts | 157,520 | 9,738 |
| Expenditures | | |
| Capital Outlay | 200,203 | 14,128 |
| Cash Receipts Over (Under) Expenditures | (42,683) | (4,390) |
| Unencumbered Cash - Beginning | 47,073 | 4,390 |
| Unencumbered Cash - Ending | \$ 4,390 | - |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|----------------|----------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Water Sales | \$ 394,377 | 429,650 | 365,000 | 64,650 |
| Interest | 18,800 | 13,742 | 12,000 | 1,742 |
| Late Charges | 2,250 | 2,488 | 2,000 | 488 |
| Total Cash Receipts | <u>415,427</u> | <u>445,880</u> | <u>379,000</u> | <u>66,880</u> |
| Expenditures | | | | |
| Production | | | | |
| Personal Services | 38,337 | 33,799 | 70,000 | (36,201) |
| Contractual Services | 46,174 | 48,343 | 38,000 | 10,343 |
| Commodities | 56,894 | 63,071 | 25,000 | 38,071 |
| Capital Outlay | - | - | 1,000 | (1,000) |
| Total Production | <u>141,405</u> | <u>145,213</u> | <u>134,000</u> | <u>11,213</u> |
| Transmission and Distribution | | | | |
| Contractual Services | 8,848 | 35,644 | 6,000 | 29,644 |
| Commodities | 43,620 | 49,032 | 25,000 | 24,032 |
| Capital Outlay | 5,864 | 9,942 | 71,000 | (61,058) |
| Total Transmission and Distribution | <u>58,332</u> | <u>94,618</u> | <u>102,000</u> | <u>(7,382)</u> |
| Commercial and General | | | | |
| Personal Services | 28,557 | 22,421 | 40,000 | (17,579) |
| Contractual Services | 22,046 | 19,212 | 25,000 | (5,788) |
| Commodities | 2,358 | 1,379 | 3,000 | (1,621) |
| Capital Outlay | 2,943 | - | 5,000 | (5,000) |
| Total Commercial and General | <u>55,904</u> | <u>43,012</u> | <u>73,000</u> | <u>(29,988)</u> |
| Employee Benefits | | | | |
| Health Insurance | 16,433 | 12,600 | 27,600 | (15,000) |
| Social Security | 4,980 | 4,183 | 6,500 | (2,317) |
| Workman's Compensation | 708 | 1,579 | 1,500 | 79 |
| KPERS | 4,477 | 4,054 | 5,000 | (946) |
| Total Employee Benefits | <u>\$ 26,598</u> | <u>22,416</u> | <u>40,600</u> | <u>(18,184)</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|---------------------------|--------------------|-----------------------------|
| | | Actual | Budget | |
| Expenditures (continued) | | | | |
| Non-Operating Expenses | | | | |
| Sales Tax | \$ 3,703 | 4,908 | 5,000 | (92) |
| Debt Service | 76,090 | 76,090 | 76,090 | - |
| Miscellaneous | 3,916 | 4,565 | 23,000 | (18,435) |
| Total Non-Operating Expenses | <u>83,709</u> | <u>85,563</u> | <u>104,090</u> | <u>(18,527)</u> |
| Total Expenditures | <u>365,948</u> | <u>390,822</u> | <u>453,690</u> | <u>(62,868)</u> |
| Cash Receipts Over (Under) Expenditures | 49,479 | 55,058 | | |
| Unencumbered Cash - Beginning | <u>788,833</u> | <u>838,312</u> | | |
| Unencumbered Cash - Ending | \$ <u>838,312</u> | <u>893,370</u> | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Sewer Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|--------------|---------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Sewer Service Charges | \$ 102,201 | 101,482 | 99,736 | 1,746 |
| Interest | 3,182 | 2,674 | 2,000 | 674 |
| Commercial Utility | 40,116 | 41,924 | 35,228 | 6,696 |
| Total Cash Receipts | 145,499 | 146,080 | 136,964 | 9,116 |
| Expenditures | | | | |
| Collection Maintenance | | | | |
| Personal Services | 19,606 | 31,424 | 32,000 | (576) |
| Contractual Services | 16,252 | 18,327 | 15,000 | 3,327 |
| Commodities | 12,409 | 17,565 | 10,000 | 7,565 |
| Capital Outlay | 4,000 | - | 30,000 | (30,000) |
| Employee Benefits | 6,126 | 13,289 | 10,000 | 3,289 |
| Total Collection Maintenance | 58,393 | 80,605 | 97,000 | (16,395) |
| Treatment | | | | |
| Contractual Services | 79 | 1,110 | 2,000 | (890) |
| Commodities | 12,772 | 14,719 | 10,000 | 4,719 |
| Capital Outlay | 49,997 | - | 10,000 | (10,000) |
| Total Treatment | 62,848 | 15,829 | 22,000 | (6,171) |
| General and Administrative | | | | |
| Contractual Services | 5,970 | 6,211 | 8,000 | (1,789) |
| Commodities | 376 | 161 | 2,000 | (1,839) |
| Capital Outlay | - | - | 5,000 | (5,000) |
| Total General and Administrative | 6,346 | 6,372 | 15,000 | (8,628) |
| Total Expenditures | 127,587 | 102,806 | 134,000 | (31,194) |
| Cash Receipts Over (Under) Expenditures | 17,912 | 43,274 | | |
| Unencumbered Cash - Beginning | 230,819 | 248,731 | | |
| Unencumbered Cash - Ending | \$ 248,731 | 292,005 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Solid Waste Disposal Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|---------------|--------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| User Fees | \$ 93,468 | 94,524 | 92,000 | 2,524 |
| Expenditures | | | | |
| Contractual Services | 89,292 | 89,634 | 89,000 | 634 |
| Commodities | - | 400 | 2,000 | (1,600) |
| Capital Outlay | - | - | 1,000 | (1,000) |
| Total Expenditures | 89,292 | 90,034 | 92,000 | (1,966) |
| Cash Receipts Over (Under) Expenditures | 4,176 | 4,490 | | |
| Unencumbered Cash - Beginning | 54,597 | 58,773 | | |
| Unencumbered Cash - Ending | \$ 58,773 | 63,263 | | |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Ness City Public Library
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | \$ 12,058 | 11,000 |
| Interest | 405 | 270 |
| Collections | 5,494 | 9,245 |
| Appropriations | 86,340 | 88,204 |
| Total Cash Receipts | <u>104,297</u> | <u>108,719</u> |
| Expenditures | | |
| Personal Services | 74,623 | 80,337 |
| Contractual Services | 10,687 | 19,078 |
| Commodities | 13,034 | 12,769 |
| Total Expenditures | <u>98,344</u> | <u>112,184</u> |
| Cash Receipts Over (Under) Expenditures | 5,953 | (3,465) |
| Unencumbered Cash - Beginning | <u>59,030</u> | <u>64,983</u> |
| Unencumbered Cash - Ending | <u>\$ 64,983</u> | <u>61,518</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ness City, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected five-member council. These financial statements present the City (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of the component unit is appointed by the City.

Ness City Public Library

The City's Public Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Library's operations by levying tax dollars for the library.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Capital Project Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and the following special revenue funds: Capital Improvements Fund and Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2011.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At December 31, 2011, the City's carrying amount of deposits was \$1,915,120 and the bank balance was \$2,030,476. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,780,476 was collateralized with securities held by pledging financial institutions' agents in the City's name.

At December 31, 2011, the Public Library's carrying amount of deposits was \$61,518 and the bank balance was \$71,856. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

Compensated Absences

Vacation

The City's policy regarding vacation permits employees with up to 10 years of service 2 weeks of vacation per year and those employees with more than 10 years of service 3 weeks of vacation per year. Vacation is non-cumulative and lapses upon termination of employment. The Public Library follows the same policy as the City.

Sick Leave

Employees are permitted one day of sick leave per month. Sick leave is cumulative up to 90 total days. It lapses upon termination of employment. This potential liability is shown on the schedule of long-term debt. The Public Library follows the same policy as the City.

Comp Time

Comp time is earned by employees for hours worked in addition to 40 hours per work week. Employees who have accrued comp time off will be allowed to use any or all of the time within a reasonable period after requesting the time off. The City has not accrued a liability for comp time which has been earned but not taken by the City's employees. The Public Library follows the same policy as the City.

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 was 7.74%. The City's employer

CITY OF NESS CITY, KANSAS

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$18,150, \$16,542, and \$14,066, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Ness City, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

| <u>From</u> | <u>To</u> | <u>Statutory Authority</u> | <u>Amount</u> |
|--------------------------|------------------------------|--------------------------------|---------------|
| General Fund | Equipment Reserve Fund | K.S.A. 12-1,117 | \$ 35,500 |
| General Fund | Capital Improvements Fund | K.S.A. 12-1,118 | 80,000 |
| Capital Improvement Fund | Chestnut Bridge Project Fund | K.S.A. 12-6a16 | 4,131 |

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

| | Project Authorization | Cash Disbursements and Accounts Payable To Date |
|--------------------------------|--------------------------|---|
| Airport Improvements | \$ 2,735,481 | \$ 338,837 |
| Chestnut Street Bridge Project | 214,492 | 217,258 |

NOTE 4 – LITIGATION

City of Ness City, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 5 – RISK MANAGEMENT

City of Ness City, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, crime, workers compensation, and linebacker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

City of Ness City, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Ness City, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 8 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

Ness City Farm and Feed

Gary Gantz is the owner of the company and was the Mayor through April, 2011:

| | |
|----------|---------|
| Supplies | \$2,177 |
|----------|---------|

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

Healzer Tire

Stan Healzer is the owner of the company and was a council member through April, 2011:

| | |
|---------|---------|
| Repairs | \$1,527 |
|---------|---------|

NOTE 9 – LONG-TERM DEBT

City of Ness City, Kansas has the following types of long-term debt.

KDHE Revolving Loan

The City entered into a \$1,150,000 revolving loan agreement on November 18, 2004 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance Public Water Supply System Project #2416. The City will use proceeds generated by the operation of the facility for loan repayment, which began February 1, 2007.

Lease Obligations

The City has entered into a lease agreement for an Elgin Pelican NP Street Sweeper with an option to purchase at the expiration of the lease term. The lease contains a fiscal funding clause.

CITY OF NESS CITY, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

| Issue | Interest Rates | Date of Issue | Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Net Change | Balance End of Year | Interest Paid |
|--|----------------|---------------|-----------------|------------------------|---------------------------|-----------|----------------------|--------------|---------------------|---------------|
| Revolving Loan | 3.31% | 11/18/04 | \$ 1,150,000 | 02/01/26 | \$ 915,314 | - | (42,979) | | 872,335 | 33,111 |
| Capital Lease | | | | | | | | | | |
| Elgin Pelican NP Street Sweeper | 3.81% | 02/29/08 | 115,925 | 2/29/2013 | 71,709 | - | (23,015) | | 48,694 | 2,732 |
| Total Contractual Indebtedness | | | | | 987,023 | - | (65,994) | | 921,029 | 35,843 |
| Compensated Absences - Sick Leave | | | | | 5,409 | | | 3,853 | 9,262 | |
| Total Long-Term Debt | | | | | <u>\$ 992,432</u> | <u>-</u> | <u>(65,994)</u> | <u>3,853</u> | <u>930,291</u> | <u>35,843</u> |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

| | YEAR | | | | | | | |
|-------------------------------------|-------------------|----------------|---------------|---------------|---------------|----------------|----------------|------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2021 | 2022-2026 | Total |
| Principal | | | | | | | | |
| Revolving Loan | \$ 44,567 | 46,213 | 47,920 | 49,690 | 51,525 | 287,617 | 344,803 | 872,335 |
| Capital Lease | 23,892 | 24,802 | - | - | - | - | - | 48,694 |
| Total Principal | <u>68,459</u> | <u>71,015</u> | <u>47,920</u> | <u>49,690</u> | <u>51,525</u> | <u>287,617</u> | <u>344,803</u> | <u>921,029</u> |
| Interest | | | | | | | | |
| Revolving Loan | 31,523 | 29,877 | 28,170 | 26,400 | 24,565 | 92,835 | 35,648 | 269,018 |
| Capital Lease | 1,855 | 945 | - | - | - | - | - | 2,800 |
| Total Interest | <u>33,378</u> | <u>30,822</u> | <u>28,170</u> | <u>26,400</u> | <u>24,565</u> | <u>92,835</u> | <u>35,648</u> | <u>271,818</u> |
| Total Principal and Interest | <u>\$ 101,837</u> | <u>101,837</u> | <u>76,090</u> | <u>76,090</u> | <u>76,090</u> | <u>380,452</u> | <u>380,451</u> | <u>1,192,847</u> |